

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
Federal-State Joint Board on)	<u>CC Docket No. 96-45</u>
Universal Service)	<i>FNPRM Comments on</i>
)	<i>HCF Support Issues</i>
Multi-Association Group (MAG) Plan for)	CC Docket No. 00-256
Regulation of Interstate Services of)	
Non-Price Cap Incumbent Local)	
Exchange Carriers and Interexchange)	
Carriers)	

COMMENTS OF GVNW CONSULTING, INC.

In response to the Commission's Further Notice of Proposed Rulemaking (FNPRM), GVNW Consulting, Inc. respectfully presents its comments for the Commission's consideration. GVNW Consulting, Inc. is a management-consulting firm, which provides consulting services to independent telephone companies. We offer the following comments supporting the continuation of the Commission's current ruling to not freeze incumbent high cost loop support upon competitive eligible carrier entry.

Background

As a part of its Recommendation (at 25-26), the Rural Task Force (RTF) proposed that high-cost loop (HCL) support be frozen on a per-line basis in rural carrier study areas where a competitive eligible telecommunications carrier initiates service and reports lines to the Administrator. The stated purpose of this specific RTF proposal was to prevent

excessive growth in the universal service fund. The Commission concluded that the adoption of this aspect of the recommendation was not warranted at this time and is seeking, in this round of the proceeding, additional comments on possible alternative measures. We agree with the Commission's conclusions in this area and do not believe that any change is necessary at present. We offer the following comments on the efficacy of continuing the Commission's current decision not to freeze incumbent high cost loop support upon competitive entry.

FREEZING HIGH COST LOOP SUPPORT UPON COMPETITIVE ENTRY WILL STIFLE THE DEPLOYMENT OF NEEDED RURAL INFRASTRUCTURE

The much-chronicled struggle of many competitive entrants underscores one basic tenet of modern telecommunications. That is, the provision of service, especially in rural study areas, is a capital-intensive undertaking that requires massive investment in expensive infrastructure. The challenge of deploying this much-needed infrastructure is far from completed, especially in the rural areas of the country.

The record evidence the Commission cites in its RTF Order remains valid. Specifically, the Commission cited in footnote 341 a filing by Table Top Telephone Company, Inc. in an ETC proceeding related to a Smith Bagley filing that was before the Commission. As the Commission noted in paragraph 129 of the RTF Order, this rural carrier was concerned about the aspect of the RTF Recommendation that would freeze HCL support. At the end of paragraph 129, the Commission cites:

“Indeed, one carrier recently filed comments with the Commission opposing a petition for such status, in part, on the ground that the resulting freeze of support (assuming the Rural Task Force proposal were adopted) would “severely constrain” its ability to upgrade plant and provide quality service in the area.”

A crucial component of the Commission's overall telecommunications policy that must balance the needs of the entire telecommunications industry is a commitment to support infrastructure deployment so as to permit the offering of comparable services at comparable rates in all areas of the country.

THE CURRENT INDUSTRY STATUS JUSTIFIES THE CONTINUATION OF THE CURRENT FCC APPROACH OF NOT FREEZING SUPPORT

When the RTF discussions began over three years ago, the industry expectations of competitive entry were far greater than they are today. Nonetheless, the Commission has properly assessed the current state of affairs with its decision to decline to freeze HCL support levels when a competitor reports lines in a rural study area to the fund Administrator.

As the Commission properly notes in its RTF Order in both footnotes 322 and 326, there is no evidence in the record in CC Docket No. 96-45 projecting specific levels of competitive entry in the future. We offer that given the current fiscal health of a large portion of the competitive carrier segment of the industry, it is a reasonable assumption that any of this "above-the-cap" support will not be significant in the near term. Thus, we agree with the finding the Commission made at paragraph 123 of the RTF Order: "The likelihood of any harm to the size of the Fund occurring in the immediate future is speculative. . ."

FCC MONITORING IS AN ADEQUATE AND SUFFICIENT SAFEGUARD FOR THE PRESENT TIME

In addition, the Commission has provided for a safeguard mechanism for the level of universal service funding with its commitment to monitor the status of competitive

entry. Specifically, the Commission states at paragraph 124 of the RTF Order that: "...we intend to closely monitor the impact on the fund of competitive entry in rural carrier study areas to ensure that the fund remains specific, predictable, and sufficient consistent with section 254."

The Commission has demonstrated its ability to act in a timely fashion with the short interval between its receipt of the Joint Board Recommended Decision in CC Docket No. 96-45 and the issuance of the FCC RTF Order (FCC 01-157). If future circumstances warrant a change with respect to HCL support computations upon competitive entry into a rural study area, the Commission is capable of taking any necessary action on a timely basis after due consideration of the issues involved.

If this set of circumstances were to occur, we recommend that the Commission readdress the issues surrounding the RTF proposal for catastrophic support for rural carriers impacted by natural disasters (RTF Recommendation at 26). If the FCC freezes HCL support at some future point, catastrophic support is a necessary adjunct to such a policy decision.

CONCLUSION

We agree with the Commission's conclusion at paragraph 130 of the RTF Order: The costs of freezing high cost loop support in competitive study areas significantly outweigh any potential benefits. The Commission has exercised good judgment in continuing to provide incentives for rural infrastructure development - by maintaining the HCL support at specific, sufficient and predictable levels.

Comments in FNPRM CC Docket No. 96-45
GVNW Consulting, Inc.
July 30, 2001

Respectfully submitted,

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